

Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 ACDA-19 CIAE-00 INR-10 L-03

NSAE-00 NSC-10 RSC-01 SCI-06 SCEM-02 SS-20 EB-11

COME-00 NSF-04 FPC-01 INT-08 SPC-03 DRC-01 /139 W

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R 281730Z NOV 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 6084

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AEC GERMANTOWN 990

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E. O. 11652: N/A

TAGS: TECH, EEC, US

SUBJECT: URANIUM ENRICHMENT

REF: STATE 227510; STATE 22815; STATE 231932; EC BRUSSELS 6727;

EC BRUSSELS 6731; EC BRUSSELS 6778; PARIS 30026; PARIS 29817;

PARIS 30210; PARIS 30317; BONN 17021

1. THE SITUATION REGARDING EUROPEAN ENRICHMENT PLANS IS AT THE
MOMENT VERY ACTIVE BUT ALSO VERY CONFUSING.

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2. EURODIF IS PUBLICLY COMMITTED TO START ITS DIFFUSION PLANT

IN JANUARY 1974 FOR START-UP IN 1979. WE HAVE HEARD CONFLICTING STORIES FROM UTILITY REPRESENTATIVES AS TO WHETHER THE FRENCH GOVERNMENT SUPPORT FOR EURODIF IS FOR THE FULL 9000 T CAPACITY OR JUST THAT PORTION RELATED TO THE CURRENT FRENCH REQUIREMENTS OF ABOUT 40-45PERCENT. A FRENCH GOVERNMENT DECISION TO BACK THE FULL PLANT, IF STILL REQUIRED, IS CONSIDERED VERY LIKELY SHOULD THE OTHER EURODIF STUDY PARTNERS NOT PROVIDE THE NECESSARY FIRM COMMITMENTS.

". THE URENCO GROUP HAS BEEN NOTICEABLY QUIET DURING THE PAST FEW WEEKS. THIS IS IN SPITE OF THE EC DECISION TO RECOMMEND COUNCIL SUPPORT INITIALLY FOR THE EURODIF 9000 T PLANT AND COORDINATED PHASING IN OF THE URENCO FACILITY AS THE EURODIF CAPACITY IS FULLY COMMITTED.

4. THE ANNOUNCEMENT THIS WEEK BY THE FRENCH THAT THEY ARE GOING AHEAD WITH EURODIF COULD HAVE BEEN JUST NORMAL TIMING TO ASSURE THE PLANT IS OPERATING BY 1979. ON THE OTHER HAND IT COULD HAVE BEEN MADE TO COUNTER THE CENTRAL ELECTRIC GENERATING BOARD (CEGB) ANNOUNCEMENT EARLIER THIS MONTH FOR THE PURCHASE OF 1300 T OF SEPARATIVE WORK FROM URENCO, IN ORDER TO AVOID A STAMPZDE OF CUSTOMERS SIGNING CONTRACTS WITH URNECO AS THE FIRST EUROPEAN ENRICHMENT FACILITY WIT A SUFFICIENT LOAD TO PROCEED. ANOTHER POSSIBILITY IS THAT THE FRENCH ANNOUNCEMENT COULD HAVE BEEN TIMED SOLELY TO PROVIDE EUROPEAN UTILITIES WITH AN ALTERNATIVE TO SIGNING WITH THE USAEC BY THE DECEMBER 31, 1973 DEADLINE. WHILE THIS LATTER IS MORE PSYCHOLOGICAL THAN A REAL PROBLEM THE AEC CONTRACTS WOULD TIE UP FOR THE TEN YEAR PERIOD 1978-1988 A FEW REACTORS THAT COULD BE INCLUDED IN THE BASE LOAD FOR EURODIF.

5. THE RECENT ACTION BY LOCHAK IN CONTACTING THE AEC INDICATING INTEREST BY EUROPEAN UTILITIES IN CONSTRUCTION OF A DIFFUSION PLANT IN EUROPE USING US TECHNOLOGY AND WITH A MINORITY INVESTMENT BY US INDUSTRY APPEARS TO BE THE MAJOR CATALYST FOR THE PRESENT CONFUSION. THE LOCHAK ACTION AND RELATED CABLE FROM HOLLINGSWORTH TO WYART IS BEING MISINTERPRETED AS A US INITIATIVE TO SIDETRACK EURODIF AND ALSO TO MAINTAIN AS LONG AS POSSIBLE THE US MONOPOLY IN THE ENRICHMENT FIELD. MEETINGS OF EUROPEAN UTILITIES, FOR WHICH WYART SERVES AS PRESIDENT, TO DISCUSS THEIR LIMITED OFFICIAL USE

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REACTION TO THE LOCHAK PROPOSAL HAVE SERVED TO BRING INTO SHARP FOCUS ONE OF THE MAJOR CONCERNS OF THE EUROPEAN UTILITIES. THEY SIMPLY DO NOT WANT TO BE INVOLVED IN A PROJECT SO DOMINATED BY THE FRENCH. THE CONCERN THAT DIFFUSION TECHNOLOGY MAY NOT BE THE RIGHT CHOICE VERSUS THE GAS CENTRIFUGE IS STILL A REAL WORRY BUT THE INTEREST IN THE LOCHAK PLAN LARGELY REFLECTS THE DESIRE FOR AN ALTERNATIVE TO JOINING THE FRENCH DOMINATED EURODIF GROUP. ONE RESPONSIBLE BELGIAN UTILITY REPRESENTATIVE

EVEN PREDICTED THAT GERMAN UTILITIES WOULD JOIN THE LOCHAK PLAN AS THEY PRIMARILY DESIRE A EUROPEAN ENRICHMENT FACILITY AND WHILE SUPPORTING URENCO DUE TO THE POTENTIAL TECHNOLOGICAL ADVANTAGE WOULD ALSO SUPPORT A EUROPEAN DIFFUSION PLANT AS LONG AS IT WAS NOT FRENCH.

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6. THE CONTINUING INTEREST OF CEA FOR EURODIF IN SOME SELECTIVE USE OF US DIFFUSION TECHNOLOGY HAS ALSO CONTRIBUTED TO THE PRESENT CONFUSION BECAUSE IT IS BEING TREATED AS AN INDICATION CEA MIGHT BECOME A PARTNER TO THE LOCHAK PLAN. THIS POSSIBILITY SEEMS COMPLETELY REMOTE. WHAT CEA IS CLEARLY INTERESTED IN IS TAKING ADVANTAGE OF ANY DIFFUSION TECHNOLOGY THE USAEC HAS THAT

WOULD MAKE THE EURODIF PLANT MORE EFFICIENT. ANDRE GIRAUD, PRESIDENT OF CEA, HAS STATED IN THE PST THAT HE WOULD LIKE TO LICENSE SELECTIVELY SOME OF THE US DIFFUSION TECHNOLOGY TO THE EXTENT CEA DETERMINES THE NEED. ROYALTIES WOULD BE PAID AND THE ADDITIONAL CARROT OF POSSIBLE EQUIPMENT PURCHASES FROM LIMITED OFFICIAL USE

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US INDUSTRY WERE SUGGESTED AS THE QUID PRO QUO FOR THIS EXCHANGE. GIRAUD HAS REJECTED OUTRIGHT A REPORTED USAEC OFFER TO NEGOTIATE FOR ROYALTY PAYMENTS ON TOTAL ACCESS TO US DIFFUSION TECHNOLOGY INSTEAD OF CEA CHOICE OF ONLY THE PORTION THAT MIGHT OFFER SOME ADVANTAGE OVER WHAT THE FRENCH ALREADY HAVE. IT IS ALSO NOT CLEAR THAT CEA WOULD BE WILLING TO ESTABLISH EURODIF AS A MULTINATIONAL FACILITY TO QUALIFY FOR ACCESS TO US DIFFUSION TECHNOLOGY UNDER THE PRESENT OFFER OR WHETHER THE US WOULD RE-CONSIDER ITS DECISION AND DEAL WITH FRANCE ON A BILATERAL BASIS IN DIFFUSION TECHNOLOGY.

7. COMMENT: IN SPITE OF THE PRESENT STATE OF CONFUSION AND ALMOST UNIVERSAL OPPOSITION TO JOINING A FRENCH DOMINATED PROJECT, EURODIF IS FARthest ALONG IN PLANNING AND COMMITMENT AND WILL VERY LIKELY PROCEED AS ANNOUNCED EARLIER THIS WEEK. THE APPROACHING DECEMBER 31, 1973 USAEC CONTRACT DEADLINE DOES NOT APPEAR TO BE AFFECTING ANY UTILITY'S DECISION ON WHETHER TO SUPPORT EURODIF OR URENCO. EXTENDING THIS DATE A FEW MONTHS OR EVEN UNTIL JUNE 30, 1974 WOULD NOT CHANGE ANY UTILITY'S DECISION, AS THE RELIABILITY OF SUPPLY ISSUE WOULD STILL BE THE SAME. THE UTILITIES'S MAIN CONCERN IS ASSURING THE FUEL WILL BE AVAILABLE WHEN THE NUCLEAR POWER PLANT IS COMPLETED. THEY WOULD PREFER NOT TO MAKE A 10 YEAR COMMITMENT TO THE US BUT MOST ARE PREPARED TO DO THIS TO ASSURE THE FUEL IS AVAILABLE WHEN NEEDED. A FEW UTILITIES, PARTICULARLY GERMAN, ARE PURCHASING INITIAL CORES AND A FEW RELOADS FROM THE USSR TO PROVIDE THE TIME FOR A EUROPEAN BASED ENRICHMENT FACILITY TO START OPERATION. EVEN THOSE CONTRACTING WITH THE USAEC WILL LIKELY TERMINATE THEIR CONTRACTS FOR WELL OVER HALF OF THEIR REQUIREMENTS, WHEN THE CONTRACTS EXPIRE, IN ORDER TO REDUCE THE DEPENDENCE ON NON-EUROPEAN SOURCES OF SUPPLY. SOME PORTION OF THE TOTAL EUROPEAN MARKET, GENERALLY REPORTED TO BE 30PERCENT, WILL REMAIN AVAILABLE FOR PURCHASE AT THE BEST PRICE AND ALSO TO DIVERSIFY THE SOURCE OF SUPPLY.

8. IT IS DIFFICULT TO SEE HOW ANY GROUP OF EUROPEAN UTILITIES COULD FORMALLY ORGANIZE AND ASSOCIATE THEMSELVES WITH SOME US INDUSTRIAL GROUP IN ANY TIME FRAME LESS THAN SIX MONTHS. USAEC CONSIDERATION OF ACCESS TO DIFFUSION TECHNOLOGY BY SUCH AN ORGANIZATION WOULD APPEAR TO BE IN THE SAME MINIMUM TIME FRAME. UNLESS SOMETHING VERY DRASTIC OCCURS WITHIN THE NEXT FEW

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WEEKS, IT APPEARS THE CURRENT FLURRY OF ACTIVITY AND CONFUSION CAUSED BY THE LOCHAK INITIATIVE WILL QUIETLY FADE AWAY AND EUROPE WILL PROCEED TO ESTABLISH A DIFFUSION PLANT UNDER EURODIF AND A PARALLEL PROJECT UNDER URENCO. THE NET RESULT MAY BE SOME OVER-CAPACITY DURING THE 80'S AND A BUYER'S PARADISE AS THE NATIONALISTIC INTEREST OF EURODIF AND URENCO COMPETE WITH THE MOST ECONOMICAL COST FROM THE USAEC AND THE MOST ATTRACTIVE PRICE AND TERMS FROM THE USSR.

9. RE PARIS 30317, WHILE WE BELIEVE PARIS MESSAGE POINTS UP THE NEED FOR A STUDY OF THE KIND OUTLINED IN OUR EC BRUSSELS 6678, WITHOUT SUCH A STUDY IT IS IMPOSSIBLE FOR US TO SAY IF THE CONCLUSION DRAWN BY EMBASSY PARIS IS VALID IN TERMS OF OVERALL US INTERESTS.

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